

NIE 55-59

24 November 1959

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Graham

NATIONAL INTELLIGENCE ESTIMATE
NUMBER 55-59

THE OUTLOOK FOR NEPAL,
BHUTAN, AND SIKKIM

Submitted by the
DIRECTOR OF CENTRAL INTELLIGENCE

The following intelligence organizations participated in the preparation of this estimate: The Central Intelligence Agency and the intelligence organizations of the Departments of State, the Army, the Navy, the Air Force, and The Joint Staff.

Concurred in by the
UNITED STATES INTELLIGENCE BOARD

on 24 November 1959. Concurring were the Director of Intelligence and Research, Department of State; the Assistant Chief of Staff for Intelligence, Department of the Army; the Assistant Chief of Naval Operations for Intelligence, Department of the Navy; the Assistant Chief of Staff, Intelligence, USAF; the Director for Intelligence, The Joint Staff; the Assistant to the Secretary of Defense, Special Operations; and the Director of the National Security Agency. The Atomic Energy Commission Representative to the USIB, and the Assistant Director, Federal Bureau of Investigation, abstained, the subject being outside of their jurisdiction.

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QUESTIONNAIRE FOR THE USER

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It is requested that all users of the attached National Intelligence Estimate fill in the following form and return it to the office or document control point from which the NIE was received. (NOTE to Document Control Officers: (1) Completed questionnaires should be forwarded through NIE distribution channels to central control points which have been set up for each department or agency receiving NIEs; (2) Extra questionnaire forms, as needed, can be obtained through NIE distribution channels.)

Date of this response

NIE Number _____

Copy Number _____

Position of the User: _____
Descriptive Title Office

My professional responsibilities are mainly in the field of (Check one)

- (a) policy planning and coordination
- (b) operations
- (c) intelligence
- (d) keeping my superior informed
- (e) research
- (f) _____

(Other: please specify)

My substantive responsibilities are (Check one)

- (a) general in scope
- (b) primarily concerned with matters involving _____
(indicate country, regional or functional specialization)

I normally see, or am briefed on (Check one)

- (a) all NIEs
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- (c) only NIEs specifically requested by me or brought to my attention

As a rule, I (Check one)

- (a) rely primarily on briefings to keep myself informed on the content of NIEs
- (b) read NIE Conclusions only
- (c) read the entire NIE myself
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I first learned of the present NIE (Check one)

- (a) on receiving it
- (b) through USIB Committee papers
- (c) through reference to NIE files, the NIE index, or other reference service
- (d) through reference to it by a professional colleague
- (e) through participation in its preparation
- (f) through other means (specify)

I am using this estimate (Check one)

- (a) in connection with actions on its subject now before my office
- (b) for purposes of briefing a superior
- (c) for background information

The value of this estimate for my purposes is (Check one)

- (a) major
- (b) moderate
- (c) little
- (d) none

I expect that I will cite, quote, or summarize this estimate (Check one)

- (a) in papers prepared in my office
- (b) in coordination of other papers and other discussions
- (c) seldom, if ever

I expect that I will probably (Check one)

- (a) not refer to this estimate again
- (b) refer to it frequently in the future
- (c) refer to it once or twice in the future

I regard estimates as useful and dependable (Check one)

- (a) only at the time they are issued
- (b) only for the first _____ months or so after issuance
- (c) until superseded
- (d) there is no general rule; it depends on the particular estimate

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THE OUTLOOK FOR NEPAL, BHUTAN, AND SIKKIM¹

THE PROBLEM

To estimate probable developments in Nepal, Bhutan, and Sikkim during the next few years, including the relations of these states with India, the Sino-Soviet Bloc, and the West.

CONCLUSIONS

1. Nepal, Bhutan, and Sikkim are strategically located on India's northern frontier and are vulnerable to Chinese Communist pressures. India views this vulnerability as directly endangering its own security. (*Paras. 8, 23, 27, 34*)

2. Nepal's first experiment in representative government began with the elections of 1959. The moderate socialist Nepali Congress party won a sweeping victory. Its leaders, headed by Prime Minister Koirala, seem to be working harmoniously with King Mahendra, who retains extensive powers under the new constitution. These circumstances improve the prospects for stable government over the next few years. (*Paras. 9-13*)

3. Nevertheless, Nepal faces formidable internal problems. Differences between Mahendra and the Nepali Congress government could emerge and disrupt their present cooperation. Internal dissen-

sions might in time weaken the Nepali Congress. Conservative forces may be able to exploit differences between King and government. (*Paras. 13-15, 17-20*)

4. Local Communist subversive activities are unlikely to pose a serious threat to the government within the next few years, though these capabilities will probably grow with tightening Chinese Communist control of Tibet and greater Bloc interest in Nepal. (*Para. 16*)

5. In foreign affairs, Nepal will maintain its neutralist policy. Being more fearful of Communist China than of India, it will continue to rely primarily on the latter to preserve its independence, while seeking not to antagonize Communist China. At the same time, it will welcome financial and moral support from the US. (*Paras. 23-33*)

6. The remoteness and backwardness of Nepal make major economic progress unlikely for years to come. However, with continued outside aid, modest improve-

¹ This estimate is devoted primarily to the outlook for Nepal; consideration of Bhutan and Sikkim is limited almost entirely to likely developments in their relations with India and China.

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ments in output and living standards are feasible over a period of time, and these would probably be enough to satisfy the expectations of the Nepalese. (Paras. 21-22)

7. India will continue to control the foreign relations of the small and primitive states of *Bhutan* and *Sikkim*, and to

assume responsibility for their defense. However, India would find it particularly difficult to defend *Bhutan* until roads now planned link the countries. India already has troops in *Sikkim* and will take whatever action it deems necessary to maintain effective control over that state. (Paras. 34-38)

DISCUSSION

8. Though Nepal, Bhutan, and Sikkim are all juridically independent, the two latter remain, in effect, appendages of India by virtue of various treaty arrangements and historical practices. Nevertheless, the international importance of all three has been increasing, in part as a result of political developments within Nepal during the past year or so, but also because of the location of the three states on Communist China's southern boundary. The independence of these three states makes it difficult for India to exert its power throughout the area, and thus increases their vulnerability to Chinese pressures.

I. NEPAL

9. Nepal has recently embarked on its first experiment in representative government. For a century before 1950, the monarchs had been figureheads and the country had been ruled by a reactionary family oligarchy, the Ranas. In 1950, the Rana regime was overthrown by dissident elements led by the Nepali Congress, a moderate socialist party composed mainly of small landholders and middle class elements. This revolt had the support of the King and the Indian Government. There followed eight years of highly unstable government, with the King sometimes ruling directly and sometimes through various political leaders of his choosing. Conflicts between the monarchy and the political leaders, as well as factionalism and personal rivalries within the various political parties, resulted in chronic instability. Despite King Mahendra's reservations about elections and party governments, he was aware of the growing popular pressure during

1957 and 1958 for national elections and was reluctant to expose himself to the risks inherent in prolonging nonparliamentary rule. Accordingly, he granted a constitution and the first national elections were held in 1959. The Nepali Congress won two-thirds of the parliamentary seats and took office in May 1959 under the leadership of the 45-year old Prime Minister, B. P. Koirala.²

10. The new government faces a formidable array of problems. It must contend with a primitive economy and a weak administrative system, divisive geographic and ethnic factors within the country,³ and a location between

² RESULTS OF NEPAL'S FIRST GENERAL ELECTION (Lower House)

Party	Seats Won	Percent of Popular Vote
Nepali Congress	74	37
Gurkha Parishad	19	17
United Democratic Party	5	10
Communist Party	4	8
Independents	4	16
Minor Parties	3	12

³ Nepal consists of three major areas: the Terai or plains country in the south, the lower mountains and valleys stretching across central Nepal, and the high Himalayan ranges in the north. The country is further divided by north-south ranges, which make Nepal's transportation and communications problems extremely difficult and limit the central government's authority in large parts of the country. The people of the Terai—about one-third of the estimated 9,000,000 population—are ethnically similar to the people of north India. The population of central Nepal—about half of the total—is a mixture of Indian and Mongoloid, and the people of the sparsely settled northern areas are ethnically and culturally closer to the Tibetans than to the other Nepalese.

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India and China, both of whom have sought to exert influence on Nepal. More importantly—at least in the short run—in a country which has traditionally been governed by force and intrigue, it must work within the framework of an unfamiliar parliamentary system and avoid serious conflict with the King.

11. The new government has made a good beginning. It has already embarked upon a program of social and economic reform. It is reorganizing the central administration and has begun to modernize the fiscal system. It is formulating a program of small-scale projects such as local roads, bridges, schools, and health clinics to be established throughout the country. At the same time, Nepali Congress leaders are continuing to strengthen their political organization, which was a major factor in their election victory. Finally, Koirala has thus far maintained good relations with the King.

Political Outlook

12. At least initially, political developments in Nepal are likely to reflect an interaction between two forces—the Nepali Congress and the monarchy, with various conservative elements also playing a role which may increase in time. In the ordinary sort of constitutional monarchy, the parliamentary strength of the Nepali Congress, together with its apparently competent leadership, would insure its control of the government. Under Nepal's constitution, however, 39-year old King Mahendra has such extensive powers—including full control of the armed forces and veto rights over legislation—that he retains a potent position. The King also has the support of certain conservative elements.

13. We believe that the sweeping victory won by the Nepali Congress improves the prospects for stable and progressive government during the next few years. While many members of the government are young and lack administrative experience, its principal leaders—Koirala, Subarna Shumshere (Deputy Prime Minister), S. P. Upadhyaya (Home Minister), and Ganeshman Singh (Transportation Min-

ister)—have all had previous ministerial experience and have been associated in the Nepali Congress for a decade. Koirala and Upadhyaya in particular have considerable leadership ability. The Congress leaders appear to be working effectively together, although rivalries for power may emerge in time.

14. The Gurkha Parishad, which is controlled by a leading Rana family, is the largest opposition party and the principal representative of conservative sentiment in parliament. Nevertheless, it holds less than one-fifth of the seats in the lower house and it is hampered by personal rivalries and by uncertainties about its role as leader of the opposition. Its popular support is largely confined to the hill country adjacent to the Katmandu Valley. However, conservatives also occupy influential positions in the Senate, the civil administration, and the Palace. In addition, the conservatives—though not a cohesive bloc—include many large landowners with considerable semifeudal power in large parts of Nepal.

15. The leftist parties fared badly in the elections, and the leader of the United Democratic Party, former Prime Minister K. I. Singh, failed to win a seat. These parties are unlikely to present a serious threat to the government. Singh himself, however, remains a forceful and opportunistic politician and might emerge at some future date as the spokesman or agent of some combination of opposition elements.

16. The Communist Party of Nepal, with an estimated 3,000 members, won only four seats in parliament. It lacks leaders of national stature and must contend with serious factionalism based on ideological disputes and caste rivalries within its leadership. Despite these weaknesses, the party exercises a disproportionate influence through its control of several front groups, particularly the All Nepal Peasants' Association, the largest peasant organization in the country. It has the potential to create local disturbances in the Katmandu Valley and the eastern Terai, the areas of its major strength. However, the party appears unwilling to risk being banned—as it

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was from 1952 to 1956—and is unlikely to resort to violence during the period of this estimate. Nevertheless, the recent establishment of a Soviet diplomatic mission and the growing interest of Communist China are likely to result in increased resources and more effective guidance for the party, thus gradually increasing its effectiveness.

17. The new government will probably encounter its most serious political difficulties in its relations with the monarchy. The constitution provides that the King shall follow the recommendations of the cabinet except where he is empowered to act at his discretion, but his discretionary powers are very broad. He appoints half of the Senate,⁴ and has a voice in the appointment of many other government officials. He may dismiss a Prime Minister even in the absence of a no-confidence vote. He may even assume complete control of the government and suspend parliamentary government if he believes conditions warrant such action.

18. Mahendra is sensitive to pressures for popular participation in the government, but he is convinced that a strong monarchy is necessary to insure stability in Nepal. He will remain alert to any attempt by the Nepali Congress to reduce his powers. Mahendra may work with conservative leaders and certain members of the civil service to moderate the pace of change. He may also encourage other Nepali Congress leaders to challenge Koirala's leadership. Should an all-out power struggle develop, Mahendra's extensive powers would probably enable him to impose his will, except in the unlikely event that he lost actual control of the army.⁵

19. So far, however, Prime Minister Koirala has been careful to consult the King on all important issues, and both appear aware of the need for continued cooperation to prevent a return of the political instability of the past.

⁴ The 36-man Senate may delay but not block legislation passed by the lower house. Half of its members are elected by the lower house and the other half appointed by the King.

⁵ The 10,000-man Nepali Army is poorly trained and led and lightly armed, but is probably capable of maintaining internal security.

While Mahendra will almost certainly be unwilling to relinquish any of his present powers, he may in time intervene less extensively in government affairs, particularly if he becomes convinced that Koirala and the Nepali Congress favor gradual rather than precipitate change. In these circumstances, the desire of both sides for political stability and their respect for one another's strength offers fair promise of a tolerable, if not smooth, working relationship over the next few years.

20. Even if the government can cope with Nepal's constitutional and parliamentary problems, there will be other threats to its effectiveness. While the government probably will be able to enact its reform programs into law, their implementation will be slow and difficult. Its tax and land reform programs in particular will strike at the interests of the conservatives throughout the country and will be resisted. For example, many large landlords—particularly in isolated areas—are likely to refuse to give up their land, relying on the weakness of Nepal's administrative apparatus to prevent the government from moving against them. Since these weaknesses stem from inadequate educational, transportation, and communications facilities—as well as the absence of a tradition of the rule of law—they can be corrected only slowly.

Economic Outlook

21. The outlook for any significant economic growth during the next few years is poor, and living standards are likely to remain among the lowest in Asia. Over 90 percent of the people are dependent on agriculture, and the absence of adequate transportation facilities makes it difficult for the government to mitigate the effects of local crop failures. Very few have felt the impact of Nepal's modest economic development efforts to date. A combination of political instability, inadequate communications facilities, lack of funds, shortages of technicians and managers, and an ineffective administrative system has slowed implementation of Nepal's first Five-Year Plan (1956-1961), which is now behind schedule. The progress that has been made—such as the road construction between Kat-

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mandu and the Terai, improvement of Katmandu Airport, village development, and education—has been due largely to foreign aid, which accounts for over three-fourths of total development expenditures.⁶

22. The present government's development effort promises, however, to yield moderately favorable results after some years. Assuming continued receipt of adequate foreign aid, the government will probably be able to carry out a substantial part of its program for building local roads, bridges, schools, and health clinics throughout the country. The government has approved a land reform program designed to reduce the size of large estates, but this is unlikely to improve agricultural output during the next few years. Land reclamation, settlement of uncultivated lands, and technical assistance in agriculture may be expected in time to raise agricultural output in various areas above the subsistence levels which now prevail. The government is revising the fiscal system and, particularly in attempting to levy taxes on formerly tax-free lands, gradually is paving the way for improvement of the government's weak financial position. Considerable hydroelectric, timber, and mineral resources may in time provide a basis for simple industrial development and increased foreign trade. However, basic deficiencies in such fields as transportation and communications, administrative services, and technical skills will continue for the foreseeable future to retard the pace of economic development. The political repercussions of a failure to improve living standards signifi-

cantly during the next few years, however, are unlikely to be serious.

International Relations

23. Until after World War II, Nepal's foreign relations were virtually nonexistent. British influence was paramount, but Britain was content to regard Nepal as a recruiting ground for Gurkha troops and a buffer on British India's northern frontier. The emergence of Chinese Communist power and China's occupation of Tibet in 1950 led India to conclude that its own security required more active intervention in Nepal. These developments marked the end of Nepal's isolation and led to the broadening of its foreign relations. Nepal became a UN member in 1955, but partly because of Indian reluctance to see foreign diplomatic missions established in Katmandu, until mid-1959 only India and the UK had resident diplomatic missions in the country.

24. Nepal follows a neutralist foreign policy. This policy derives principally from the country's location on Communist China's border and from the necessity of adhering to a policy that accords with that of India, on which Nepal depends for protection. Although the present Nepali Congress Government appears to be favorably disposed towards the West and suspicious of the Sino-Soviet Bloc, particularly Communist China, it has reaffirmed the country's nonalignment. Nepal's neutralism apparently enjoys widespread support among informed Nepalese.

⁶ FOREIGN AID COMMITMENTS TO NEPAL 1951-1959 ^a

<i>(millions of dollars)</i>	
Source	Amount
India	34.7
United States	26.9
United Nations	1.2
Other Countries	.6
Ford Foundation	.5
Total Free World	63.9
Communist China	12.6
Soviet Union	7.5
Total Communist Bloc	20.1
Total Foreign Aid	84.0

^a All foreign aid to Nepal has been on a grant basis.

India

25. Nepalese leaders recognize the need for friendly relations with India. Their primary access to the outside world lies through Indian territory. They are aware that Nepal's armed forces cannot defend the country and that they must rely on India if they are to resist Chinese Communist pressures. An Indian military mission has been in Nepal since 1952 reorganizing and training the Nepalese Army. India has already agreed to provide the equivalent of \$34,700,000 in development

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assistance, more than any other country, and probably stands ready to furnish additional aid.

26. At the same time, the Nepalese have a persistent suspicion that India may aspire to such influence in Nepalese affairs as to threaten the country's independence. They resent the controls which India still retains over Nepal's foreign trade. King Mahendra in particular fears that republican notions prevalent in India may jeopardize his throne. Nevertheless, the factors impelling Nepal to good relations with India will almost certainly be controlling, unless the conduct of Indian policy is extraordinarily tactless and overbearing.

27. India is determined to limit Peiping's influence in Nepal and to prevent the country from being governed by anyone sympathetic to Communist China. India and Nepal already have a treaty calling for consultation in the event of any external threat, and India can be expected to support Nepal in the event of Chinese Communist pressure along Nepal's northern border. In the event that Indian military support were required, India might see advantages in using the 25,000 Gurkha troops, recruited in Nepal, who are part of the Indian Army. Common concern over the potential threat from Communist China will tend to bring India and Nepal closer together.

Communist China

28. Nepalese leaders realize that Nepal's exposed position makes it important to maintain reasonably good relations with Peiping. Nepal agreed in 1956 to relinquish certain traditional extra-territorial rights in Tibet. Nepal also agreed, in return for the opening of a consulate general in Lhasa, to accept a Chinese Communist consulate general in Katmandu, which however has not yet been opened. Shortly thereafter, Nepal accepted a Chinese grant of the equivalent of \$12,600,000 for economic development. Of this \$4,200,000 was in cash and has already been used, chiefly for currency stabilization as well as for support of various (including US-assisted) development projects. The balance of \$8,400,000

was to be in capital equipment and commodities, the nature of which has yet to be agreed.

29. Nepal's suspicions of Communist China have increased recently as a result of China's repressive actions in Tibet and aggressions along the Sino-Indian border.⁶ These suspicions are unlikely to be allayed. Nepal has recently taken steps to improve the capability of its security forces. Patently these forces can never hope to repel outright Chinese Communist aggression; they can help to control, though not prevent, border infiltration and internal subversive activities. Essentially, however, Nepal's defense against Communist China will depend on Indian support. In view of its growing fear of China, we believe that the Nepalese will become more receptive to defense cooperation with India as long as they remain convinced that India can and will aid them in resisting Chinese pressures.

30. With the advance of Chinese Communist military power to the southern border of Tibet, Peiping's interest in Nepal has increased. During the period of this estimate Nepal will probably agree to the opening of a Chinese Embassy. Communist China's immediate aim is probably to insure Nepal's neutrality. The Chinese Communists will seek to discourage Western influence in Nepal, and are probably prepared to offer inducements, such as additional economic aid, as well as to apply various forms of pressure, including perhaps border intrusions. They will also probably step-up their subversive activities in Nepal.

Other Countries

31. Since the independence of India, the UK's principal interest in Nepal has been the recruitment of Gurkha soldiers under an agreement which runs to 1968. Many Nepalese oppose such recruiting, but remittances from Gurkha troops and pensions to Gurkha veterans are an important source of foreign ex-

⁶ In this connection, it is worth noting that though the Nepal-Tibet boundary is undemarcated, both Western and Chinese Communist maps place it at the crest line of the Himalayas. Small border tracts in dispute are unlikely to cause (though they may serve as pretexts for) Chinese Communist pressures on Nepal.

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change. The agreement is unlikely to be abrogated during the next few years, and Nepal's relations with the UK will probably continue to be satisfactory.

32. US-Nepalese relations have been friendly. A US economic aid mission has been in Nepal since 1952, and the government welcomed the establishment of a resident US Embassy in 1959. Nepal sees the US not only as a source of development funds and technical assistance which will help Nepal avoid undue dependence on India, but also as a supporter of Nepalese independence. India has come to welcome an active US role in Nepal as a counter to Bloc pressures and as a supplement to India's own development assistance to Nepal.

33. Soviet interest and activity in Nepal have increased substantially during the past two years. The USSR offered economic assistance to Nepal during the course of a state visit by King Mahendra in 1958, and a \$7.5 million Soviet economic grant was accepted by Nepal in 1959. In mid-1959, the King also approved the establishment of a Soviet Embassy in Katmandu, apparently without informing the incoming Nepali Congress government or India. The first Soviet technicians have recently arrived, and Soviet cultural activity has been stepped up. Nepal will probably continue to be receptive to attractive Soviet aid offers, and may hope that on future occasions Soviet influence can be invoked to abate Chinese Communist pressures on Nepal. Nevertheless, Nepal will continue to maintain a cautious attitude toward the USSR.

II. BHUTAN AND SIKKIM ⁷

34. These two isolated and backward states are significant chiefly because their strategic location on India's Himalayan frontier makes them potential targets of Chinese pressures

⁷ Bhutan has a population of about 700,000, of whom an estimated 500,000 are Bhutias (the predominantly Buddhist descendants of early Tibetan invaders) and the remainder are Nepalese, who are chiefly Hindu. Approximately 80 percent of Sikkim's 150,000 inhabitants are of Nepalese origin. Bhutias comprise 15 percent of the population of Sikkim, and members of the original Lepcha stock, who are also Buddhist, account for 5 percent.

and probings. Neither state has any defense capability of its own. In both states Indian influence is paramount, and India would consider any significant Chinese aggression or subversion against either as scarcely less threatening to its security than direct Chinese moves against Indian territory proper.

35. Of the two, Sikkim presents the less difficult problem for India since it is an acknowledged Indian protectorate and a 1950 treaty gives India control of Sikkim's foreign relations, defense, and communications. In addition, Sikkim is comparatively accessible to India, which now has about 1,500 troops there. The royal family resents Indian control, but there is little it can do to assert independence. India may press for some progress toward representative government. So far Communist China has done little to threaten Sikkim beyond some local propaganda and presumably support for a small Communist Party apparently organized in recent years. Should Chinese efforts increase, India would be likely to step-up countermeasures. We believe that Sikkim will continue as an Indian protectorate for the foreseeable future, and that India will take whatever action it deems necessary to retain control.

36. Bhutan is more difficult for India to control and defend, and thus more vulnerable to Communist Chinese activities. Although India guides Bhutanese foreign relations under a 1949 treaty and Nehru has publicly stated that India would defend Bhutan against any aggression, no formal defense treaty exists and India's ability to honor its commitment will be very limited until the first roads into Bhutan are completed—probably in 1961. In any case, the Maharajah resents Bhutan's dependence on India and fears republican influences emanating from India. Thus unless a critical threat develops, he is unlikely to permit the entry into Bhutan of Indian troops as a precautionary measure.

37. Nevertheless, the impact of the Tibetan revolt and growing fear of Chinese Communist aggression are causing the Bhutanese to modify somewhat their traditional isolationist policy. Chinese maps show parts of Bhutan as Chinese territory, and some infiltration and

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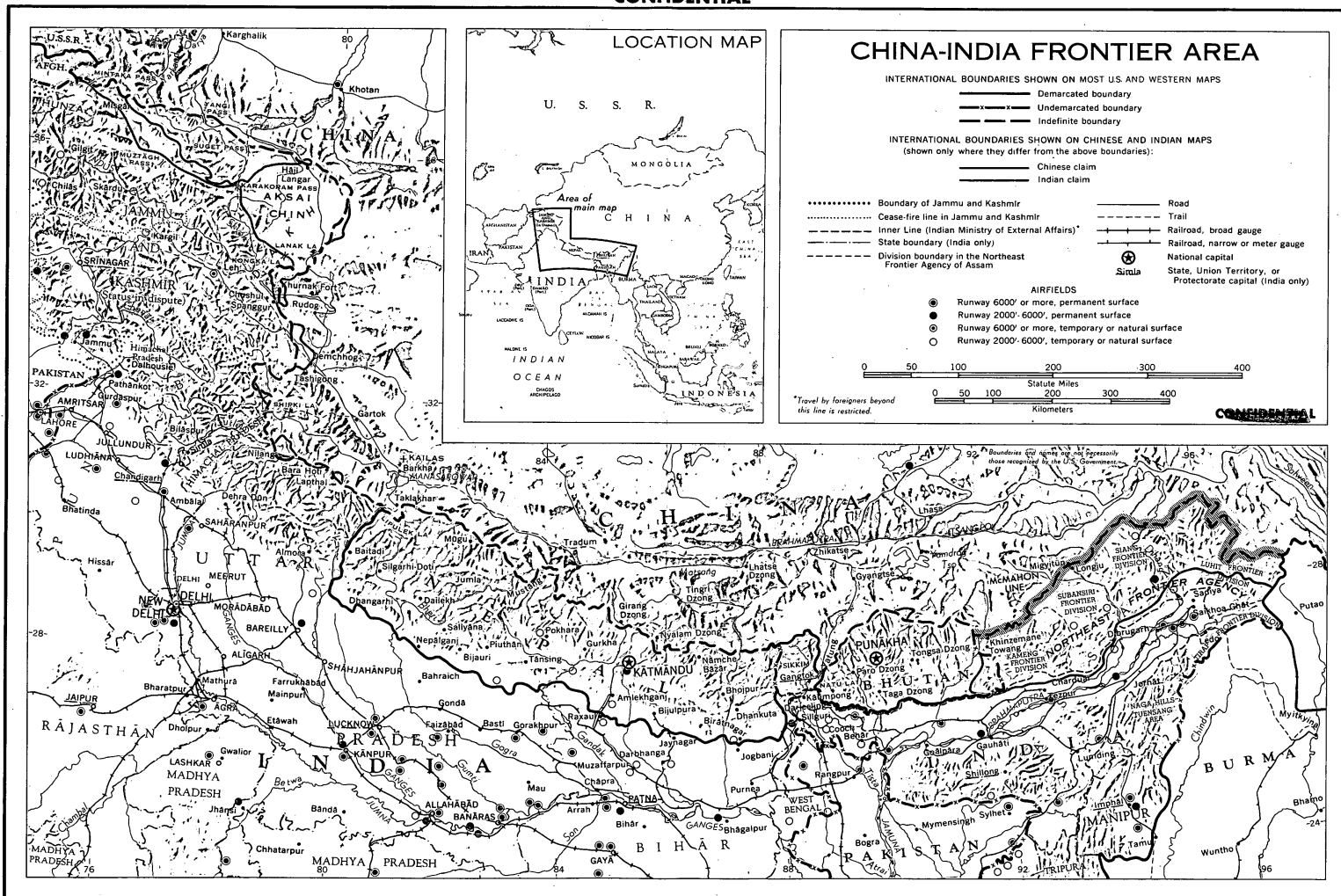
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probing of the border has apparently occurred. The Maharajah is also aware that close ethnic and cultural ties between Bhutan and Tibet provide opportunities for Chinese Communist exploitation, as do the intrigues and rivalries of local Bhutanese leaders not fully under his control.

38. Indian influence is likely to expand as the Bhutanese recognize, however reluctantly, that they must depend upon India for protection against Communist China. India, for its part, is taking a more active interest in Bhutanese affairs in response to stepped up Chinese Communist activities, but will probably

allow Bhutan to maintain its nominal independence. India will almost certainly continue to block the establishment of direct relations between Bhutan and any third country. In time, it may press for some concessions toward representative government—possibly through the small group of exiles in India who form the Bhutan Congress. At present, however, there is no discernible agitation within Bhutan for representative government, and the limited evidence available suggests that any change occurring in the internal situation will initially be in the direction of strengthening the Maharajah.

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